

Finance Bill 2015 Update

PENSION ADVISORY SERVICES

The Finance Bill was published today, 22 October, giving effect to the general taxation measures announced as part of the Budget.

USC and Employer PRSA contributions

An additional announcement today is that employer contributions to a Personal Retirement Savings Accounts (PRSA) will no longer attract a USC liability for the employee with effect from 1 January 2016. This is a welcome development and equalises the USC treatment of employer contributions to occupational pension schemes or PRSAs.

This means that an employer contribution to a PRSA does not give rise to additional income tax, PRSI or USC for the individual, provided the total PRSA contributions are within the individual's pension tax relief age related percentage of earnings band (i.e. 15% to 40% of earnings, subject to a €115,000 earnings cap). The table below shows an example of the treatment for 2016

	No Pension Contribution	With Employer Company Pension Contribution	With Employer PRSA Contribution of €1,000
Salary	€40,000	€40,000	€40,000
Employer Contribution	€0	€1,000	€1,000
Gross Taxable Earnings for USC	€40,000	€40,000	€40,000
Gross Taxable Earnings for PRSI and Income Tax	€40,000	€40,000	€40,000
Universal Social Charge Payable (1% to €12,012 3% to €18,668 5.5% from €18,669 to €70,044)	€1,493.06	€1,493.06	€1,493.06
Universal Social Charge increase due to employer pension contribution		No increase	No increase

AMRF and Guaranteed Pension Income thresholds

There were no changes to the Approved Minimum Retirement Fund (AMRF) threshold of €63,500 or the Guaranteed Pension Income threshold of €12,700 as part of the Finance Bill. As such the current thresholds continue to apply for 2016 and going forward.

There had been a lot of speculation around these thresholds, as when they were reduced in 2013 it was announced that it was for a 3 year period. However, the legislation change which was implemented in 2013 did not include an automatic reversion to higher limits. As such the current thresholds of €63,500 and €12,700 continue to apply. There is also no change to the operation of the imputed distribution and minimum withdrawal requirements for ARFs or vested-PRSAs